

1 BEFORE THE
2 ILLINOIS COMMERCE COMMISSION

3 ILLINOIS-AMERICAN WATER COMPANY) DOCKET NO.
4) 09-0151
5 Approval of its annual)
6 reconciliation of purchased water)
7 and purchased sewage treatment)
8 surcharges pursuant to 83 Ill.)
9 Adm. Code 655.)

10 Springfield, Illinois
11 Tuesday, December 29, 2009

12 Met, pursuant to notice, at 1:00 p.m.

13 BEFORE:

14 MS. ALISA TAPIA, Administrative Law Judge

15 APPEARANCES:

16 MR. JOHN J. REICHART
17 Corporate Counsel
18 727 Craig Road
19 St. Louis, Missouri 63141

20 (Appearing on behalf of
21 Illinois-American Water Company)

22 SULLIVAN REPORTING COMPANY, by
 Carla J. Boehl, Reporter
 CSR #084-002710

1 APPEARANCES: (Continued)

2 MS. SUSAN L. SATTER
3 Assistant State's Attorney
4 100 West Randolph Street
5 Chicago, Illinois 60601

6 (Appearing on behalf of the
7 People of the State of Illinois)

8 MR. LARRY H. WILCOX
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13 (Appearing on behalf of Staff of
14 the Illinois Commerce
15 Commission)

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I N D E X

<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
RICH KERCKHOVE				
By Mr. Reichart	32			
By Ms. Satter		37		

EXHIBITS

	<u>PRESENTED</u>	<u>ADMITTED</u>
IAWC 1.0	E-docket	111
AG Cross 1	49	97
AG Cross 2	-	97
AG Cross 3	89	97

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PROCEEDINGS

JUDGE TAPIA: By the authority vested in me by the Illinois Commerce Commission, I call Docket Number 09-0151. This matter involves an application of Illinois-American Water Company for approval of the annual reconciliation of purchased water and purchased sewer treatment surcharges pursuant to 83 Illinois Administrative Code 655.

May I have appearances for the record, please?

MR. REICHART: Yes, Judge, appearing on behalf of Illinois-American Water Company, John J. Reichart. My address is 727 Craig Road, St. Louis, Missouri 63141.

MS. SATTER: Appearing on behalf of the People of the State of Illinois, Susan L. Satter, 100 West Randolph Street, Chicago, Illinois 60601.

MR. WILCOX: Appearing on behalf of the Illinois Commerce Commission, Larry H. Wilcox. My business address is 527 East Capitol, Springfield, Illinois 62701. I am an accountant in the Accounting Department of the Financial Analysis Division.

1 JUDGE TAPIA: Thank you. Let the record
2 reflect that there are no others wishing to enter an
3 appearance.

4 This is an evidentiary hearing in this
5 matter, and it is my understanding that Ms. Satter on
6 behalf of the People has questions from
7 Mr. Kerckhove. Shall we begin with you,
8 Mr. Reichart, to introduce your witness?

9 MR. REICHART: Certainly, Judge. The Company
10 calls Company witness Kerckhove.

11 (Whereupon the witness was duly
12 sworn by Judge Tapia.)

13 JUDGE TAPIA: Thank you. You may be seated.

14 RICH KERCKHOVE
15 called as a witness on behalf of Illinois-American
16 Water Company, having been first duly sworn, was
17 examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. REICHART:

20 Q. Good afternoon, Mr. Kerckhove.

21 A. Good afternoon.

22 Q. Would you state your full name for the

1 record?

2 A. It Rich Kerckhove.

3 Q. And can you spell that, please?

4 A. Kerckhove is spelled K-E-R-C-K-H-O-V-E.

5 Q. By whom are you employed?

6 A. I am employed by American Water Works
7 Service Company.

8 Q. What is your business address?

9 A. 727 Craig Road, St. Louis, Missouri 63141.

10 Q. Mr. Kerckhove, did you prepare certain
11 documents for submission in this proceeding?

12 A. Yes, I did.

13 Q. I would like to call your attention to a
14 document that has previously been marked for
15 identification purposes as IAWC Exhibit Number 1.0
16 titled Direct Testimony of Rich Kerckhove. It
17 consists of 19 pages of narrative testimony and 12
18 sets of Exhibits A through D. Do you have this
19 document before you?

20 A. Yes.

21 Q. And are you familiar with this document?

22 A. Yes.

1 Q. Was it prepared by you or under your
2 supervision?
3 A. Yes.
4 Q. Do you have any corrections to make to this
5 document?
6 A. Yes, I do have one correction to the
7 exhibits related to the Waycinden District.
8 Q. Is that part of the attachments or part of
9 the attached exhibits?
10 A. Yes, it is.
11 Q. Could you please identify the changes or
12 corrections you have to make?
13 A. Yes. The reason for the change to the
14 Waycinden exhibits --
15 JUDGE TAPIA: Could you spell that,
16 Mr. Kerckhove?
17 THE WITNESS: W-A-Y-C-I-N-D-E-N.
18 JUDGE TAPIA: Oh, Waycinden. Thank you very
19 much.
20 A. The reason for the correction is that the
21 invoices from the City of Des Plaines were off by one
22 month in the reconciliation. For example, the

1 December 2007 invoice from Des Plaines was also
2 included as the January 2008 invoice. So all of the
3 exhibits -- all of the amounts on Exhibit C, the far
4 right column, meter usage plus non-revenue water
5 useage in 1,000 gallons should be shifted up one. So
6 that the first column of numbers will actually drop
7 off the schedule and then a new amount is included
8 for 2008 December. Those same amounts also appear on
9 Exhibit C1, and in the invoice amounts, the actual
10 cost of lake water purchased on Exhibit D are
11 likewise shifted upwards one month, and a new amount
12 is included in December in the amount of 52,980.

13 Q. Thank you. And is it your understanding
14 that documents that reflect this correction to the
15 Waycinden exhibit have been provided to counsel for
16 the People as well as the Staff?

17 A. That is correct. I included the December
18 2008 invoice from the City of Des Plaines as well as
19 a faxed cover page and a listing of the meter read
20 dates, amount of consumption and bill amount for part
21 of 2007, all of 2008, and 2009 through October.

22 Q. Thank you. And having identified these

1 corrections, is the information contained in this
2 exhibit and the other exhibits attached to your
3 direct testimony true and correct to the best of your
4 knowledge?

5 A. Yes.

6 Q. For that matter, is your direct testimony
7 true and correct to the best of your knowledge?

8 A. Yes.

9 Q. If I would ask you the questions contained
10 in your direct testimony today, would your answers be
11 substantially the same?

12 A. Yes.

13 MR. REICHART: Your Honor, subject to cross
14 examination, the Company would move for admission of
15 IAWC Exhibit Number 1.0 along with all attached
16 exhibits.

17 JUDGE TAPIA: Thank you, Mr. Reichart. Before
18 we go to Ms. Satter, do you have any questions for
19 Staff, on behalf of Staff, questions for
20 Mr. Kerckhove?

21 MR. WILCOX: No questions.

22 JUDGE TAPIA: I will ask you again after

1 Ms. Satter, if you would like.

2 Ms. Satter?

3 MS. SATTER: Thank you.

4 CROSS EXAMINATION

5 BY MS. SATTER:

6 Q. Good afternoon. I am just going to ask you
7 a couple of questions just to make sure that this
8 revision to the Waycinden exhibit is clear.

9 For example, on Exhibit D, the columns
10 B and A minus B and the last column to the right,
11 those numbers are the same as the numbers in the
12 original set of exhibits, right? It was only Column
13 A, Actual Cost, that changed? Actually, that's not
14 correct.

15 A. No, that's not true. Because the amounts
16 in Column A shifted...

17 Q. Uh-huh.

18 A. ..then the amounts in the column, say, that
19 is indicated A minus B changed as well as the
20 accumulative unrecovered over-recovered supply charge
21 cost.

22 Q. So A is the actual cost, that changed?

1 A. That is correct.

2 Q. B, Cost Recovery Via Lake Water Supply

3 Charge, that column did not change, correct?

4 A. That is correct.

5 Q. And that column represents the revenues

6 that the Company received from consumers during these

7 months?

8 A. That is correct.

9 Q. And then the next column is A minus B. It

10 would change to the extent that A changed?

11 A. That is correct.

12 Q. And that is true also for the last column

13 on the right?

14 A. Yes.

15 Q. Okay. I have one other question about

16 this, the Waycinden revision. On A on the original,

17 the last line there is like a formula or an equation,

18 4.37 and then there is numbers. In the original

19 there were two numbers in the numerator and one

20 number in the denominator, right?

21 A. Excuse me. That is correct, in the

22 original.

1 Q. And then in the revised there is three
2 numbers in the enumerator?

3 A. Correct. What I did, Ms. Satter, was I
4 left the utility determined adjustment component for
5 variable charge intact. And the difference that
6 resulted from the shift on Exhibit D, I included as a
7 Commission-ordered adjustment component for variable
8 charge, and I am recommending that the Commission
9 include an O-Factor for this amount.

10 Q. So the \$1,596.74 cents is a result of the
11 changes that you made?

12 A. Yes.

13 Q. In the revision?

14 A. Yes.

15 Q. Oh, okay. So then is it correct that that
16 figure, the 1,596.74, is the difference that resulted
17 from changing the amount that the Company paid to Des
18 Plaines? Is this a shortage or an overage?

19 A. It is not exactly the difference between
20 the two.

21 Q. Okay. Why don't you explain what that is?

22 A. Okay. There is a difference, obviously,

1 between the original January 2008 invoice and the
2 December 2008 invoice. But this amount also affects
3 the amount of unaccounted water or non-revenue water.
4 And so that also has to be taken into consideration.

5 Q. Okay. So I notice on D on the revision
6 there does not appear to be an adjustment for
7 non-revenue water or unaccounted for water, is that
8 correct?

9 A. That is correct.

10 Q. And on the original there was an adjustment
11 for unaccounted for water?

12 A. For --

13 Q. Waycinden.

14 A. Non-revenue water.

15 Q. Non-revenue water.

16 A. Yes.

17 Q. There was a \$3,180 adjustment originally?

18 A. Yes.

19 Q. To remove the non-revenue water excess?

20 A. Yes.

21 Q. So why -- I mean, if you didn't make that
22 adjustment here, why this -- what is this? What is

1 the 1,596, \$1,596 figure, for? You are not sure?

2 A. The difference of 1,596.74 results from a
3 combination of the 3,180 cost of water exceeding the
4 non-revenue water level.

5 Q. Three thousand --

6 A. 180 on Exhibit D.

7 Q. So that would be the difference between
8 your maximum allowed plus NRW 192,920? What is that
9 the difference between? The metered usage plus UFW
10 maximum allowed plus UFW?

11 A. Maximum allowed plus NRW was 192,920. The
12 actual usage, the initial actual usage, is 193,841,
13 the difference of 921.

14 Q. So then this \$193,000 figure is from the
15 original exhibit?

16 A. These are not dollars. These are
17 quantities.

18 Q. Okay. But it is from the original exhibit?

19 A. From the original exhibit, yes. So it's
20 the difference between the 3,180 and the decrease
21 that results from shifting the invoices and removing
22 the original January invoice of \$54,563 and adding

1 the new December 2008 invoice of \$52,980. The
2 difference between those two invoices is \$1,583.
3 \$1,583 from \$3,180 results in \$1,597 in whole
4 dollars.

5 Q. All right. So you brought in all these
6 different pieces to just isolate the change that you
7 thought the revision created?

8 A. Well, you have to -- you can't just put in
9 dollars. You also have to put in the respective
10 quantities as well for all the models to calculate
11 through properly, to calculate through the amount of
12 non-revenue water, calculate through the amount of
13 cost. And the net result is a positive 1,597.

14 Q. So is that \$1,596?

15 A. \$1,596.74.

16 Q. And that is an amount that the Company
17 received over the amount that it was charged?

18 A. No, that is --

19 Q. Is that a deficiency or an excess?

20 A. It is a deficiency.

21 Q. Oh, it is a deficiency. So to that extent,
22 this change resulted in a deficiency for consumers to

1 make?

2 A. Yes.

3 Q. All right. Now I have -- let me turn now

4 more generally. You are familiar with Code Part 625?

5 A. In general terms, yes.

6 Q. And that's the purchased water and sewer

7 rules, isn't it?

8 A. The Commission's rules, yes.

9 Q. ICC rules. Now, do you know whether

10 Illinois-American has any penalties associated with

11 purchased water, any penalties that it either charges

12 consumers or that it would pay to suppliers?

13 A. I am not aware of any penalties. Are you

14 meaning such as if we paid an invoice late that we

15 would be charged late penalties or something like

16 that?

17 Q. That would be an example.

18 A. For example? I am not aware of any.

19 Q. How about on the sewer side?

20 A. Please define penalties.

21 Q. Well, let me just -- the Commission rule --

22 let me just draw your attention to 655.30c. For the

1 record that says, "Revenues from penalty charges
2 approved by the Commission that relate to purchased
3 water sewage treatment shall offset recoverable costs
4 as determined under Section 655.40 of this part."

5 Are you familiar with any penalties under this
6 provision of the rule?

7 A. You would have to define for me what you
8 mean by "penalty." I know what the Commission means
9 by "penalty".

10 Q. So to the best of your knowledge the
11 Company doesn't have anything that would fall within
12 that category?

13 A. I don't believe we have anything that would
14 constitute -- well, I don't know, again, I don't know
15 how the Commission defines "penalties."

16 Q. As far as -- but as far as your kind of
17 layman's definition of "penalty," nothing comes to
18 mind? I mean, this is not a trick question. I mean,
19 the rule says if there are penalties, they should be
20 treated a certain way. I am just asking you if the
21 Company has any penalties that you can identify?

22 A. Can you give me some examples of what you

1 mean by penalty?

2 Q. No. I am just using the rule as it is
3 written.

4 A. I don't know.

5 Q. Now, in the areas that are subject to this
6 docket where there are purchased water charges, is
7 that water always Lake Michigan water?

8 A. These come from our suppliers so I don't --
9 I can't say with 100 percent accuracy that, yes, the
10 water we buy from Glenview or the water we buy from
11 Orland Park is 100 percent Lake Michigan water.

12 Q. But if you purchased -- if the Company
13 purchases water for consumers, does it provide any
14 other water for consumers, other than the purchased
15 water?

16 A. For the purchased water districts?

17 Q. Uh-huh, yes.

18 A. I am not aware of any additional water that
19 we would be providing. It all comes through the
20 purchased water.

21 Q. Okay. And does the Company ordinarily use
22 well water if it is available in purchased water

1 areas?

2 A. I don't know.

3 Q. Do you know whether the Company uses
4 purchased water for things like main or hydrant
5 flushing?

6 A. To the extent that main or hydrant flushing
7 takes place in the districts that are purchased water
8 lake water districts, I would say yes.

9 Q. And when the Company does repairs or
10 maintenance, would it use purchased water to the
11 extent water is necessary for those functions?

12 A. For flushing mains, for example?

13 Q. For example.

14 A. Yes.

15 Q. And, for example, restoring vegetation or
16 restoring property after work is done, would it use
17 the purchased water for that purpose as well?

18 A. I don't know.

19 Q. Okay. Do you have any reason to think it
20 would use any other source of water?

21 A. I am not out in the field, so I have no
22 idea.

1 Q. So you don't know whether the volume of
2 purchased water would include things like property
3 restoration that the Company would perform?

4 A. I don't know.

5 Q. Now, do you know whether the 1.25 percent
6 that the Company added to the unaccounted for water
7 percentage in this case, do you know if that water
8 would include things like main flushing or hydrant
9 flushing?

10 A. That is my understanding.

11 Q. So would you expect that it would include
12 authorized usage by the Company to perform Company
13 functions?

14 A. What do you mean by Company functions?

15 Q. To take care of Company facilities.

16 A. I don't know.

17 Q. You don't know if the 1.25 would include
18 that sort of thing?

19 MR. REICHART: I guess at this point I am going
20 to object. If Mr. Kerckhove knows the answer to
21 that, that's fine, but he is an accountant. You
22 know, his testimony pertains to the purchased water

1 reconciliation. It seems to me we are getting into
2 operations questions here. He did not address those
3 issues in testimony. So he is answering a lot of
4 these questions saying he is not sure. I certainly
5 don't want the impression to be left that he is not
6 sure because he should know and doesn't. He is an
7 accounting witness. I don't believe his testimony
8 goes into the depth to the questions that Ms. Satter
9 is asking, and I think we have kind of moved beyond
10 the scope of Mr. Kerckhove's specific testimony at
11 this point.

12 JUDGE TAPIA: Ms. Satter?

13 MS. SATTER: Well, in his testimony he does
14 include a 1.25 percent adder to the tariffed
15 unaccounted for water maximum, and so I am trying to
16 figure out what that 1.25 percent is for, and he has
17 testified to that in the past. So if you would like,
18 I can tie it back and that might, you know --

19 MR. REICHART: That would be fine. I would
20 also note that 1.25, yes, it is a Commission-approved
21 number that was discussed and debated in previous
22 cases. And in the initial case where it was

1 established, it was an operations witness that
2 provided the background for that number.

3 JUDGE TAPIA: Well, I will overrule it. I will
4 allow some flexibility. Ms. Satter, if you can flesh
5 that out and tie it back to the previous testimony
6 that Mr. Kerckhove has done in the past.

7 BY MS. SATTER: Okay.

8 Q. Let's do this first, though. You would
9 agree with me that Illinois-American has tariffs that
10 set the amounts for unaccounted for water allowed in
11 each purchased water district, right?

12 And I am going to show you a document
13 that's been marked as AG Cross Exhibit 1. And if you
14 could just agree that that is a copy of the tariff,
15 the Illinois-American tariff, setting forth the
16 maximum percentage of unaccounted for water component
17 for the service areas. Page 1 has a group of them
18 and page 2 includes South Beloit.

19 (Whereupon AG Cross Exhibit 1
20 was presented for purposes of
21 identification as of this date.)

22 A. Page 1 is an obsolete tariff.

1 Q. Do you have a more --

2 A. Yes, I do.

3 Q. Maybe you can provide it for the record or

4 at least provide it for me?

5 A. If you ask nicely.

6 (Whereupon a document was

7 produced by Mr.

8 Kerckhove.)

9 Q. And this is dated June 1, 2008, at the

10 bottom, effective?

11 A. Yes.

12 MS. SATTER: Now, what I would like to do is

13 ask to take administrative notice of the most recent

14 tariff which is on file with the Commission. I have

15 a response to a data request which has the February

16 10, 2007, document.

17 Q. But looking at them, maybe the witness can

18 tell me what differences there are between these two

19 documents?

20 A. There is a difference in the maximum

21 percentage unaccounted for water component for the

22 DuPage County service area.

1 Q. And what is the new number?

2 A. 14.00 percent.

3 Q. And how about any of the other areas?

4 A. No.

5 Q. And there is an underlined -- some

6 underlined language on the copy that you have. Could

7 you read that?

8 A. Sure. "The rates or surcharges approved

9 shall not include charges for unaccounted for water

10 in excess of the foregoing maximum percentages

11 without well-documented support and justification for

12 the Commission to consider in any request to recover

13 charges in excess of these maximum percentages."

14 Q. Is there anything else?

15 A. I have got Karla's name down. So it is

16 issued by K.A. Teasley and it is issued pursuant to

17 Commission Order in Docket Number 07-0425.

18 Q. Now, is South Beloit on there, on the new

19 one?

20 A. No.

21 Q. Do you know whether the purchased water

22 percentage for South Beloit is different than 15

1 percent?

2 A. It is still 15 percent.

3 MS. SATTER: Okay. With those clarifications
4 then I would move for the admission of AG Cross
5 Exhibit 1 and then I would ask for administrative
6 notice of the more recent one which we can, I think,
7 submit. I think under the Commission rules tariffs
8 are --

9 JUDGE TAPIA: And you will have a copy for the
10 court reporter today?

11 MS. SATTER: We will have to do that at some
12 point.

13 JUDGE TAPIA: Any objection, Mr. Reichart, for
14 the admission of AG Cross Exhibit 1, page 1 and 2,
15 along with the changes that have been made on the
16 record?

17 MR. REICHART: No, the Company has no
18 objection.

19 JUDGE TAPIA: Hearing no objection, AG Cross
20 Exhibit 1 that consists of two pages with the
21 corrections made on the record is admitted into
22 evidence.

1 (Whereupon AG Cross Exhibit 1
2 was admitted into evidence.)

3 BY MS. SATTER:

4 Q. Now, do you see anywhere on that tariff
5 1.25 percent, that figure?

6 A. The figure -- while the figure does not
7 appear on there, on the tariff, the tariff does
8 indicate that where no meter reading is available,
9 reasonable estimation procedures can be used for
10 other known purposes.

11 Q. So it is your position that the 1.25
12 percent falls within that tariff language?

13 A. Yes.

14 Q. Okay. Now, in the last purchased water
15 case which was Docket 08-0218, you testified, didn't
16 you?

17 A. That is correct.

18 Q. And you would agree that that was the first
19 purchased water case in which this 1.25 percent was
20 added to the unaccounted for water percentage?

21 A. And that was because the tariff had changed
22 near the beginning of 2007 to allow for that, yes.

1 Q. And the change was the change that you read
2 in just a few minutes ago?

3 A. The change is that the description of
4 unaccounted for water component purchased water
5 surcharge, that includes other known purposes as
6 determined by meter measurement for where no meter
7 reading is available, by reasonable estimation
8 procedures.

9 Q. And that's the category that you believe
10 the 1.25 falls within?

11 A. Yes.

12 Q. And I think you already said that 08-0218
13 case was the first case that that was offered?

14 A. That is correct.

15 Q. Now, in that case, 08-0218, you described
16 the basis for the 1.25 percent, right?

17 A. Yes.

18 Q. And do you remember submitting direct
19 testimony?

20 A. Yes, although I do not have it with me.

21 Q. Would you agree that non-revenue water
22 includes both water uses that can be identified and

1 accounted for and water uses that cannot be accounted
2 for, is that right?

3 A. Yes. Non-revenue water includes
4 unaccounted for water, so unaccounted for water is
5 actually a subset of non-revenue water.

6 Q. And accounted for water would include water
7 used by the utility for main flushing and within its
8 own facilities, isn't that correct?

9 A. If it were metered, it would be accounted
10 for, such as would, you know, as far as sales to
11 customers which is metered sales is accounted for.

12 Q. Right. What about water that the Company
13 uses for its own purposes? Is that accounted for?

14 A. If it is used in one of our facilities, it
15 would be metered.

16 Q. Okay. So this 1.25 percent does not
17 include any water used within your facilities?

18 MR. REICHART: Again, I am going to object. To
19 the extent Mr. Kerckhove knows, but he is not an
20 operations witness. You know, I don't know if he
21 knows an answer to this, but I wouldn't want him to
22 answer a question that he is not certain of. You

1 know, he is not a plant manager. He does not deal
2 with this type of information. This does not appear
3 anywhere in his testimony. This is not within the
4 scope of his testimony.

5 MS. SATTER: Mr. Kerckhove has been a witness
6 in purchased water cases for several years. He has
7 recommended this 1.25 percent this year as he did
8 last year. Last year he discussed it. I am not
9 going -- if he doesn't know the answer, he is an
10 experienced witness. He can say that he does not
11 know the answer. On the other hand, if he testified
12 to something a year ago, I would expect that it is
13 within his capability and his knowledge.

14 JUDGE TAPIA: The objection is sustained. If
15 the witness can answer and he did testify to it and
16 he admits to that, I believe he did, that he
17 testified at some point in this other case.

18 MR. REICHART: I don't know if he testified to
19 that specific -- again, I don't have that testimony
20 before me right now. I am caught off guard. I don't
21 know if he was the only witness that testified in
22 that case or if Mr. Kaiser testified as well who is

1 an operations witness. I believe that may have been
2 the case; I am not certain.

3 But, you know, to the extent -- it may
4 very well be the case he cited to Mr. Kaiser and
5 relied on him for some of the bases of wherever these
6 quotes are coming from. I am just not prepared to
7 address testimony from a different docket today
8 during cross examination.

9 MS. SATTER: This is cross examination. I
10 mean --

11 MS. REICHART: Sue, it is supposed to be within
12 the scope of his testimony in this case and you -- I
13 mean, you didn't file -- you didn't provide a witness
14 in this case or the DRs that you asked, I mean, I
15 don't know where -- I mean, we are trying to be here
16 and be prepared and, yes, be responsive to the
17 questions that you have. But I am a little caught
18 off here and I don't think Mr. Kerckhove is -- you
19 know, he was prepared to respond to questions about
20 the testimony he provided in this case. I mean,
21 that's -- I don't know what else to say. Cross is
22 supposed to be within the scope of the testimony he

1 files in this case.

2 You were a party in that previous case
3 and had an opportunity to provide cross at that time
4 for the witnesses that provided testimony in that
5 case.

6 JUDGE TAPIA: Okay. Ms. Satter, if you can
7 rephrase the question and ask the witness if he is
8 familiar. And if you can answer it, Mr. Kerckhove,
9 if you would, please. And if you don't know, just
10 state you don't know.

11 BY MS. SATTER:

12 Q. So let's go back to what we are talking
13 about here. The tariff says that there is a maximum
14 of unaccounted for water that can be recovered in a
15 purchased water docket, correct? Is that your
16 understanding of the implication of this?

17 A. As defined by the tariff, yes.

18 Q. And there is -- there are percentages that
19 are listed under maximum percentage, unaccounted for
20 water component, correct?

21 A. There are maximum percentages, yes.

22 Q. Now, it is the Company's position that in

1 addition to that maximum percentage, another 1.25
2 percent should be recoverable under this
3 reconciliation?

4 A. Under the definition of unaccounted for
5 water, yes.

6 Q. Okay. So your answer is yes, the Company
7 is asking for another 1.25 percent?

8 A. As it did in the last case which was
9 approved by the Commission, yes.

10 Q. Okay. And in order to do that under the
11 tariff, that 1.25 should reflect authorized
12 consumption, is that correct?

13 A. Authorized unbilled consumption.

14 Q. Okay. Does that authorized unbilled
15 consumption include Company use of water?

16 A. Ms. Satter, I will give you the extent of
17 my knowledge in this regard. One of my duties as
18 manager of rates and regulation is to review what's
19 called Special Accounts. These will be for
20 municipalities that under the terms of their
21 franchise agreements are entitled to free water and
22 also in certain areas Company usage as well. I am

1 only aware of one account, and that is at the
2 Woodbridge office, where Company's is one of those
3 special accounts. I am not aware of any other
4 Company facility within the Chicago metro district,
5 having just reviewed that listing last week.

6 Q. Are those accounts metered? The account
7 that you mentioned, I am sorry? What was the Company
8 account that you identified?

9 A. Our Woodbridge facility.

10 Q. Woodbridge. Does that account have metered
11 usage?

12 A. It has an account number. I would have to
13 actually look that up to make sure. I am not aware
14 of any other location in the Chicago metro district
15 that was on that list.

16 Q. Okay. So there is no other area within the
17 Chicago metro district where there was a special
18 account identified for Company used water?

19 A. Company or franchise, correct.

20 Q. Now, do you recall submitting testimony a
21 year ago in Docket 08-0218?

22 A. Yes.

1 Q. And do you recall saying, "Because the
2 Company has not historically tracked all forms of
3 authorized consumption, such as unbilled consumption
4 for water used for firefighting, street cleaning and
5 main flushing, the Company estimates unbilled
6 authorized consumption in accordance with American
7 Water Works Association M-36 Manual"?

8 A. That sounds about right.

9 Q. Would you like to take a look at a copy to
10 refresh your recollection?

11 A. That would be nice. Thank you.

12 (Pause.)

13 A. Okay.

14 Q. And is it also correct that in your
15 testimony you reference Company cleaning, main
16 flushing, possibly hydrant flushing, as functions
17 that the Company would perform that would use water?

18 A. Yes.

19 Q. And those functions are then included in
20 the 1.25 percent that you would then add to the
21 maximum here?

22 A. Yes.

1 Q. Okay. And what you said a year ago was
2 that uses that can be identified and accounted for
3 include water used by the utility for main flushing
4 and within its own facilities.

5 A. That would be non-revenue water.

6 Q. Right.

7 A. Yes.

8 Q. And then a subset of non-revenue water is
9 this 1.25 percent that you are adding back in?

10 A. That's correct.

11 Q. Now, last year the Commission did allow the
12 Company to include the 1.25 percent in its
13 reconciliation, correct?

14 A. Yes.

15 Q. And that was over the objection of the
16 Attorney General's office and the Village of Homer
17 Glen, is that correct?

18 A. Yes.

19 Q. So then again this year you included the
20 1.25 percent, correct?

21 A. Yes.

22 Q. And there wasn't any change to your tariff,

1 though, to reflect the 1.25 percent, was there?

2 A. We included the 1.25 percent under the same
3 language that was included on both tariffs.

4 Q. So there is general language authorizing
5 accounted for water -- authorized, excuse me,
6 allowing authorized usage?

7 A. For unbilled authorized consumption for
8 where no meter reading is available by reasonable
9 estimation procedures such as AWWA M-36 manual.

10 Q. But the 1.25 percent does not appear on the
11 tariff?

12 A. Not explicitly.

13 Q. Not the figure, the figure itself?

14 A. Correct.

15 Q. Now, in your testimony this year you did
16 not discuss why you were increasing the maximum
17 percentage unaccounted for water component by 1.25
18 percent, correct?

19 A. It was included in our response to AG 1.9.

20 Q. But it is not in your testimony, is it?

21 A. Not explicitly, no.

22 Q. Now let me draw your attention, again, to

1 Section 655.30, but this time I would like you to
2 look at Subsection D. Would you agree with me that
3 that says, "The determination of costs recoverable
4 from customers through the purchased water sewage
5 treatment surcharge shall not include water used in
6 and/or sewage treated for facilities either owned or
7 leased by the utility"?

8 MR. REICHART: Again, I don't have an objection
9 that he responds if he knows, just subject to the
10 caveat that he is not giving a legal interpretation.

11 JUDGE TAPIA: Okay.

12 A. 655.30(d) states that, "The determination
13 of costs recoverable from customers for the purchased
14 water/sewage treatment surcharge shall not include
15 water used in and/or sewage treated for facilities
16 either owned or leased by the utility."

17 Q. Okay. Now, did you review that section
18 before you submitted your testimony in this case?

19 A. No.

20 Q. Did you make any adjustment to the 1.25
21 percent authorized consumption to remove water used
22 for facilities either owned or leased by the utility?

1 A. I am not aware of any adjustments to the
2 purchased water sewage charge reconciliation.

3 Q. For purposes of removing water used for the
4 Company's use?

5 A. You are assuming then that they are
6 included in our total revenues, and I don't know
7 that's the case.

8 Q. Okay. But no adjustment was made one way
9 or the other?

10 A. No.

11 Q. Okay. Now, for each of the districts you
12 have Exhibits A through D, correct?

13 A. That is correct.

14 Q. And specifically -- let me just do this.
15 For some of the districts the unaccounted for water
16 exceeded the maximum percentage in the tariff and in
17 some of the districts it didn't, right? And I am
18 looking kind of general.

19 A. In general.

20 Q. Yeah. Well, maybe we will go through them
21 just to make it a little easier. Starting with
22 Alpine Heights, is the percentage of unaccounted for

1 water shown on Exhibit C? Is that correct?

2 A. Yes.

3 Q. And for Alpine Heights for the calendar
4 year, there is a negative 6.41 percent. Does that
5 mean that the Company sold more water than it took
6 in?

7 A. The reconciliation is a reconciliation.
8 So, therefore, we can either sell more than what we
9 pay for. This issue has been explained in numerous
10 purchased water reconciliations. We have explained
11 to the Attorney General multiple times.

12 Q. Before you go on, I am not asking any
13 questions about it. I think the question was, is
14 this the figure? Is this where it is?

15 A. That's not what you were asking me.

16 Q. My only question is, is the negative 6.41
17 the unaccounted for water calculation for Alpine
18 Heights for the calendar year?

19 A. Your question was are we selling more water
20 than we are buying.

21 Q. Okay. Let me strike that question then.

22 It is a negative unaccounted for water

1 figure?

2 A. That is correct.

3 Q. And for April through December the negative
4 unaccounted for water is 5.59 percent for Alpine
5 Heights, correct?

6 A. Negative 5.95 percent, yes.

7 Q. Which figure do you use generally, not
8 necessarily for Alpine Heights, but generally in your
9 calculation? Do you use the April to December or the
10 calendar year figures when you are doing an analysis
11 for unaccounted for water?

12 A. In which analysis?

13 Q. We will go to the next section. But in
14 Alpine Heights there was no adjustment necessary to
15 account for unaccounted for water in that district,
16 is that correct?

17 A. There is no adjustment, no.

18 Q. Now let's go look at --

19 A. What do you mean by adjustment?

20 Q. There is no amount removed -- there is no
21 amount removed from the reconciliation to account for
22 an overage.

1 A. Okay.

2 Q. Now let's go to Chicago Suburban. Now, for
3 Chicago Suburban, Exhibit C shows at the bottom
4 maximum unaccounted for water per tariff, 13 percent?

5 A. Yes.

6 Q. And that's consistent with the AG Exhibit 1
7 and the Company's current tariff, correct?

8 A. Yes.

9 Q. And the actual unaccounted for water for
10 calendar year 2008 was 14.36 percent as shown on this
11 exhibit, correct?

12 A. That is correct.

13 Q. And the actual unaccounted for water for
14 December through -- I am sorry, from April to
15 December 2008 was 13.427 percent, right?

16 A. That is correct.

17 Q. Now, if we go to Exhibit D, the last
18 column, Accumulative Unrecovered or Over-recovered
19 Supply Charge Variable Cost?

20 A. Yes.

21 Q. The second to the last line of that far
22 right column says Cost of Water Exceeding the

1 Non-revenue Water Level of 14.25 Percent During the
2 Year. That's what it says, right?

3 A. Correct.

4 Q. And the amount is 1,220?

5 A. Yes.

6 Q. Now, is that dollars?

7 A. Yes.

8 Q. So that is an amount that the Company is
9 not entitled to recover because there was more
10 unaccounted for water than authorized, is that
11 correct?

12 A. The calendar year amount, yes.

13 Q. So you are using the calendar year, not the
14 nine months?

15 A. That is correct.

16 Q. Okay. Now, the 14.25 percent that you
17 included in this calculation reflects or includes the
18 1.25 percent that the Company is adding to the
19 tariffed amount?

20 A. For you unbilled authorized consumption,
21 yes.

22 Q. Now, if we were to remove that -- let's do

1 it this way.

2 Calculation of UFW factor is on the
3 bottom left of Exhibit D. Are you with me there?

4 A. Yes.

5 Q. So the metered usage, 584,761, that's per
6 Exhibit C, is this usage, is this metered usage that
7 the Company billed?

8 A. Yes.

9 Q. So this is metered billed usage, billed to
10 customers, correct?

11 A. Yes.

12 Q. But the Company is allowed under the tariff
13 to receive the 584,000 plus another 13 percent in the
14 Chicago Suburban area, is that right?

15 A. Plus an amount for unbilled authorized
16 consumption, yes.

17 Q. This maximum allowed plus UFW, does that
18 include 13 percent?

19 A. The 672,139 reflects 13 percent.

20 Q. Okay. And then the next line, maximum
21 allowed plus NRW, does that include the metered
22 billed amount plus 14.25 percent to include the 1.25

1 that we have been talking about?

2 A. Actually, your mathematics aren't correct.

3 Q. Okay. Well, why don't you tell me how it

4 is done?

5 A. You don't add 14.25 percent to the metered

6 usage because it is based upon the amount billed or

7 invoiced from our vendors. So you would actually

8 take your 584,761 and divide it by one minus 14.25

9 percent.

10 Q. Thank you. That's why I am not an

11 accountant. But in any event, the maximum allowed

12 plus UFS reflects 13 percent and the maximum allowed

13 plus NRW reflects the 14.25 percent?

14 A. Yes.

15 Q. And the next line, Metered Usage Plus UFS,

16 why don't you explain what that is?

17 A. That is the amount that we are actually

18 invoiced from our vendors on.

19 Q. So the metered usage is from the vendors --

20 is the vendors. The metered usage above is billed to

21 customers, is that right?

22 A. The metered usage of 584,761 is the amount

1 billed to customers. The 682,790 is the amount that
2 we are invoiced from our supplier.

3 Q. And because you were invoiced more than you
4 billed your customers, the difference is non-revenue
5 water, is that correct?

6 A. It's the difference between the amount that
7 enters our system and the amount that gets to
8 customers.

9 Q. That's billed to customers.

10 A. Billed to customers, yes. That's
11 non-revenue water.

12 Q. And so what you did was you took the total
13 amount in metered usage plus UFW, that 682,790 and
14 you subtracted the maximum allowed plus NRW
15 reflecting the 14.25 percent, right?

16 A. Yes.

17 Q. And then that left you with an 853 unit
18 adjustment?

19 A. I think they are in thousand gallons.

20 Q. Okay. That would be thousand gallons
21 because then you would times it by the rate?

22 A. For a thousand gallons, yeah.

1 Q. And you get a dollar adjustment?

2 A. That is correct.

3 Q. So if you were to not apply the 1.25

4 percent, if you were to use a 13 percent reflected in

5 the statute, in the tariff, rather than the 14.25

6 percent reflecting this additional amount, you would

7 take the 682,790 and subtract the maximum allowed

8 plus UFW, being the 672,139?

9 A. If you were using 13 percent?

10 Q. Yeah.

11 A. The amount on the 853 that's calculated by

12 subtracting 681,937 from 682,790 would change to the

13 difference between 682,790 and 672,139.

14 Q. Okay. And then the amount of the

15 adjustment would change as well?

16 A. Yes.

17 Q. So if we just do that really quickly, just

18 for illustration purposes, I don't know if you have a

19 calculator with you.

20 A. No, I don't.

21 Q. Okay. Will you accept subject to check

22 that the difference between 682,790 and 672,139 is

1 10,651?

2 A. Yes.

3 Q. Okay. And then you would multiply that

4 times 1.4297 to arrive at the adjustment?

5 A. Yes.

6 Q. And, again, subject to check that would be

7 \$15,227.70? If you want to use a calculator, I am

8 happy to share.

9 A. Subject to check.

10 Q. Fair enough. So that 1.25 percent resulted

11 in ratepayers paying more than they would have paid

12 had that 1.25 percent not been added and in this case

13 about \$14,000?

14 A. Actually, they haven't paid it yet.

15 Q. Be responsible for?

16 A. Yes.

17 Q. Now, you would agree with me at Fernway

18 there was no adjustment for unaccounted for water, is

19 that right?

20 A. That is correct.

21 Q. And in Fernway actually the unaccounted for

22 water was only 8.71 percent, right?

1 A. Yes.

2 Q. And the cap --

3 A. 13.64 percent.

4 Q. So the Company did quite well in this area,

5 would you agree with that?

6 A. What do you mean by the Company did quite

7 well in this area?

8 Q. Their unaccounted for water was relatively

9 low?

10 A. I will agree with the unaccounted for water

11 was relatively low, yes.

12 Q. Fair enough. Fair enough. And you also

13 agree with me that for the Moreland area there are

14 various problems and there is no unaccounted for

15 water adjustment in Moreland?

16 MR. REICHART: Objection. Can you clarify

17 various problems?

18 Q. Well, let's strike the question and just

19 say there is no unaccounted for adjustment in

20 Moreland, correct?

21 A. That is correct.

22 Q. Okay. And, in fact, there is a negative

1 unaccounted for water percentage in Moreland,
2 correct?

3 A. As there was for Alpine Heights, yes.

4 Q. And it is over 90 percent, isn't it?

5 A. Yes, it is.

6 Q. Now, in Southwest Suburban area the
7 unaccounted for -- the maximum percentage unaccounted
8 for component is what under the statute?

9 A. The maximum percentage per the tariff is
10 12.0.

11 Q. And according to Exhibit C for Southwest
12 Suburban, the actual unaccounted for water for
13 calendar year 2008 was 14.85 percent, right?

14 A. That is correct.

15 Q. And on Exhibit D you calculated an
16 adjustment to remove some of that unaccounted for
17 water from the reconciliation, correct?

18 A. Almost \$205,000, yes.

19 Q. And if you were to not include the 1.25
20 percent, then the adjustment would have been even
21 higher, wouldn't it?

22 A. Yes.

1 Q. And the calculation that we did for Chicago
2 Suburban we could do for Southwest Suburban, too,
3 couldn't we?

4 A. It would be a similar calculation, yes.

5 Q. Okay. And would you accept subject to
6 check that the adjustment would be \$359,831?

7 A. I don't know the amount, but I will agree
8 subject to check. Excuse me. Is that over and above
9 the 205,000?

10 Q. No, total, total.

11 A. Just wanted to make sure.

12 Q. Now, DuPage has per the statute -- per the
13 tariff, excuse me, for DuPage the unaccounted for
14 water percentage is 14 percent per your tariff,
15 correct, pursuant to the June 10 -- with the June
16 modification?

17 Now, actually, let me strike that
18 question and go directly to Exhibit C. Exhibit C
19 shows the maximum unaccounted for water per the
20 tariff is 13.41 percent, is that right? That's what
21 Exhibit C says.

22 A. That's what it says.

1 Q. But the actual unaccounted for water for
2 calendar year 2008 was 18.84 percent for DuPage
3 County pursuant to Exhibit C, is that right?

4 A. Yes.

5 Q. And going to -- I am sorry.

6 A. Can I clarify something on this? It is
7 safe. It is harmless.

8 Q. Harmless to whom?

9 A. I believe the 13.41 percent may be a
10 proration between the two tariffs because it did
11 change in mid-year.

12 Q. Okay. That would explain. I appreciate
13 that.

14 So in DuPage you used 13.41 and then
15 you added the 1.25 on Exhibit D, correct?

16 A. Yes.

17 Q. In the same way that it was done for
18 Chicago Suburban.

19 A. Southwest Suburban as well.

20 Q. And Southwest Suburban. And will you
21 accept subject to check that if that 1.25 were
22 removed, the total adjustment would be \$64,941?

1 A. I will agree subject to check.

2 Q. Now, Waycinden you have revised?

3 A. Yes.

4 Q. So looking at Waycinden, the new, the

5 revision, the one that was produced today, the

6 maximum unaccounted for water per tariff was 14

7 percent and for calendar year it was 15.03. And, in

8 fact, compared to the original exhibit for Waycinden,

9 the unaccounted for water is reduced somewhat because

10 in the original it was 15.65 percent for calendar

11 year 2008.

12 A. Yes.

13 Q. Now, looking at the revision Exhibit D, it

14 looks to me under the calculation of UFW factor, you

15 have a number under Metered Usage Plus NRW Greater

16 than Max, and then there is, it looks like, it is a

17 negative 497, is that right?

18 A. Because it is a 497, we don't actually --

19 because it is a negative number, we don't actually

20 include it.

21 Q. So that means that the unaccounted for

22 water was less than the sum of the tariffed 14

1 percent and the 1.25 percent?

2 A. That's correct.

3 Q. But it was higher than the 14 percent?

4 A. Yes.

5 Q. Okay. So if you wanted to remove the 1.25

6 percent, you would compare the 192,423 thousand

7 gallon number to the maximum allowed plus UFW which

8 is 190,116, right?

9 A. But it wouldn't be the UFW maximum plus

10 1.25 percent. It would be something less. But it's

11 the same -- you would be taking the difference

12 between the same set of numbers as you would for

13 Southwest Suburban, Chicago Suburban, yes.

14 Q. And then you would multiply that volume by

15 3.47 to get the dollar adjustment?

16 A. Yes.

17 Q. Okay. I guess we could just do that, you

18 know, for purposes of the record. So that would be

19 -- so that would be a difference of 2,307 times 3.47,

20 an 8,005 adjustment, would you accept that subject to

21 check?

22 A. I will accept that subject to check, yes.

1 Q. South Beloit seems like it is presented
2 slightly differently. If you could go to that set of
3 exhibits, it appears from Exhibit C, page 1, at the
4 very bottom, Total for the 12 Most Recent Months,
5 that the unaccounted for water percentage is 17.35
6 percent, is that correct?

7 A. That's correct.

8 Q. And then your Schedule D is not presented
9 in exactly the same way as the other districts,
10 right?

11 A. The information is actually calculated on
12 Exhibit C because South Beloit does it a little bit
13 different. If you would like, I can explain why it
14 is different.

15 Q. If you could just tell me on Exhibit D,
16 page 2 of 3, there is a line Unaccounted For Water in
17 Excess of Tariff and that's 3,992. Is that the 15
18 percent for South Beloit plus 1.25?

19 A. I believe that reflects the difference
20 between the 17.35 percent and the tariff amount of 15
21 plus the 1.25 percent for unauthorized consumption.

22 Q. So it does include the unbilled authorized?

1 A. Yes.

2 Q. Is there anywhere on exhibit -- any of the
3 exhibits, A through D, for South Beloit, that break
4 down the calculation like they were broken down for
5 the other districts?

6 A. Because South Beloit is a little bit
7 different, we just did everything on Exhibit C and
8 added some additional columns.

9 Q. Would that be C1?

10 A. No, on Exhibit C, the last column. As you
11 can see, the total of 3,992 gets carried over to
12 Exhibit D.

13 Q. Okay. So metered usage is the same as
14 metered usage in the box at the bottom of Exhibit D
15 for the other districts, is that right?

16 What I would like you to point out is
17 where -- is metered usage plus UFW including the 15
18 percent tariffed amount? I mean, where can we
19 isolate the 1.25 percent on this exhibit like we
20 could on the other exhibits?

21 A. I believe that the metered usage plus UFW
22 of 33,506 is the amount that we actually get invoiced

1 from the City of Beloit.

2 Q. Okay. So this is the amount coming into
3 your system?

4 A. That is correct. As you can see, the
5 amounts in that column matches the metered usage plus
6 unaccounted for water usage ccf which is the third
7 numeric column on Exhibit C.

8 Q. Metered usage?

9 A. The third numeric column.

10 Q. Metered usage. And that one, is that the
11 City of Beloit or is that the one to the consumer?

12 A. Metered usage should be the quantity that
13 we bill our customers. I could explain to you how
14 this works, if you would like.

15 Q. Okay, hold on.

16 A. It is a little bit different.

17 Q. Okay, why don't you walk through it?

18 A. Our agreement with the, I believe it is
19 with, the City of Beloit allows the City of Beloit to
20 add on -- add 21 percent for unaccounted for water.
21 So the City of Beloit adds 21 percent to the amount
22 of metered usage, which calculated correctly ends up

1 in unaccounted for water of or non-revenue water of
2 17.35 percent roughly. As you can see, it varies
3 slightly from month to month.

4 Q. So is that the water going through the
5 city's meter is then increased by 21 percent? Is
6 that what you are saying?

7 A. The amount from our usage that we bill to
8 our customers gets bumped up 21 percent on top.

9 Q. So the same amount to the consumers is
10 increased 21 percent, okay. But you could only
11 recover 15 percent per tariff and through your point
12 of view 15.25 percent, so the difference is a
13 disallowance?

14 A. Yes. Keep in mind when I say they are
15 adding on 21 percent, as I indicated to you, the
16 calculation of non-revenue water is actually dividing
17 the amount invoiced by one minus the percentage. So
18 that's why it actually is the same as roughly 17.35
19 percent.

20 Q. Okay. So the 17.35 percent is really the
21 number that's consistent with the other numbers that
22 we have been using?

1 A. That is correct.

2 Q. Okay. So can you identify what portion or
3 what the unaccounted for water in excess of tariff
4 amount would be if you did not include the 1.25
5 percent for the City of South Beloit?

6 A. I would have to change the spreadsheet to
7 calculate that for you.

8 Q. Okay. So for the City of South Beloit it
9 is just not as apparent as it is for the others?

10 A. Correct.

11 Q. But if you were to remove the 1.25 percent,
12 the adjustment, the amount removed from the
13 reconciliation would be higher than it is in your
14 schedule?

15 A. It would be greater than 3,992 on the
16 schedule, yes.

17 Q. Okay. Now, I also have some questions for
18 you concerning purchased sewer. And when you
19 prepared your schedules for the purchased sewer
20 charges, you followed the Commission rules, right?

21 A. To the best of my knowledge.

22 Q. And you did not attempt to provide a unit

1 cost for purchased sewer, is that correct?

2 A. We prepared our tariffs in compliance with
3 -- I don't have Part 650 in front of me, but as I
4 indicated in my testimony in the last case, yes.

5 Q. And I think as you indicated in your
6 testimony in the last case, if the Commission
7 directed the Company to provide a unit cost for sewer
8 treatment costs, that would be possible?

9 A. Yes.

10 Q. Now, I have some questions about this sewer
11 treatment charges. I would like to start by asking
12 you some questions about Country Club Service
13 District and also this is the response to AG Data
14 Request 1.14. Now, the response shows the tariffs
15 for purchased sewer over a period from, I believe it
16 is, April 1, 2006, through October 1, 2009, is that
17 correct?

18 A. Well, because the question asked for the
19 tariff sheets for purchased sewer charge for 2007, 8
20 and 9, I included the July 1, 2006, Country Club
21 tariff.

22 Q. And we could go through these tariffs and

1 know what amount was on consumers' bills for the
2 periods of time covered by these tariff sheets,
3 right?

4 A. That is correct.

5 Q. So if you could just -- you know, I am
6 going walk you through some of these just so we have
7 what the amounts are without going through any more
8 detail, just the amounts. Let's start with the last
9 page which is July 1, 2006. In the lower right it
10 says effective July 1, 2006?

11 A. Yes.

12 Q. The column on the right that says RMSC, is
13 that the amount that the consumer pays that appears
14 on the bill?

15 A. When this tariff was in effect, that would
16 have been the amount that a residential customer
17 would have been charged per month for purchased
18 sewage treatment.

19 Q. And that amount was the same regardless of
20 how much water the consumer used, correct?

21 A. It is a flat amount.

22 Q. So consumption is irrelevant to this

1 charge?

2 A. That's correct.

3 Q. And so July 1, 2006, the cost was 16.50 per
4 month, correct?

5 A. Yes.

6 Q. Now let's go to -- just come back into the
7 exhibit. April 1, 2007, is the next one. And the
8 charge increased to \$20.54 a month, correct?

9 A. Yes.

10 Q. And then a year later, April 1, 2008, it
11 increased to \$29.48 a month, correct?

12 A. Yes.

13 Q. And a few months later, July 1, 2008, it
14 increased to \$30.27 a month, right?

15 A. Yes.

16 Q. And January 1, 2009, it dropped to \$23.92,
17 right?

18 A. Yes.

19 Q. And a month later, February 1, 2009, it
20 went up again to \$27.04, correct?

21 A. Right, as explained on the cover page, yes.

22 Q. And that's included in the exhibit. April

1 1, 2009, it increased again to \$34.30, correct?

2 A. As a result of doing the annual
3 reconciliation, yes.

4 Q. And October 1 the Company increased it by
5 about \$10 to \$44.85, right?

6 A. Yes.

7 Q. Okay. Now I would like to show you what I
8 have marked as AG Cross Exhibit 3. This was produced
9 in response to AG Data Request 1.1. Do you recognize
10 this letter?

11 (Whereupon AG Cross Exhibit 3
12 was presented for purposes of
13 identification as of this date.)

14 A. Yes.

15 Q. And in the last paragraph of the first
16 page, do you explain why you -- let me go back for a
17 minute.

18 In the last paragraph of that page, do
19 you ask for special amortization of costs related to
20 purchased sewer treatment for the city of Elmhurst?

21 A. Yes.

22 Q. And you say in the letter,

1 "Illinois-American incurred additional purchased
2 sewer treatment costs during the five days that
3 sewage flows exceeded the contract limit," is that
4 right?

5 A. Yes, when the amount of sewage flows
6 exceeds a certain limit, then a higher rate goes into
7 effect.

8 Q. And that's what happened in 2008?

9 A. Yes.

10 Q. Okay. So it looks like the manager of
11 accounting for the Commerce Commission agreed that
12 you could amortize this excess amount over three
13 years, right?

14 A. Yes.

15 Q. And so the April 1, 2009, purchased sewer
16 treatment charge of \$34.30, is that a result of this
17 discussion with the Commission?

18 A. I believe that it was, yes.

19 Q. Okay. But then on October 1, six months
20 later, the Company increased the purchased sewer
21 charge to \$44.85. Is that related to the additional
22 charges discussed in this letter of March 12, 2009,

1 which is AG Cross Exhibit 3?

2 A. During the first six months of 2009 was a
3 very wet period in the Chicago metro area and we
4 incurred additional high flows that resulted in
5 higher charges from the City of Elmhurst.

6 Q. So when the flows exceed a certain amount,
7 the City of Elmhurst increases its charges in what
8 way? How do they do that? Is it a set amount? Is
9 it per unit?

10 A. It is per unit.

11 Q. Is it per unit of the amount over the
12 maximum that you are allowed?

13 A. I don't know the specifics of it. I have
14 seen a spreadsheet, but I don't know how it gets
15 measured by the City of Elmhurst, if it is for an
16 hour, if it's gallons per minute, flow for a certain
17 time frame that the City can gauge how much is
18 entering its system and that is how it is able to
19 calculate that amount. It is not for, for example, a
20 whole day or multiple days. It is for a time period.
21 And I would actually have to go back to the village
22 or City of Elmhurst for exact calculations for each

1 one of these.

2 Q. Are the additional charges based on a
3 period of time then that the flows exceed the amount
4 allowed? Is that like a per day maximum?

5 A. No, that's what I was trying to explain is
6 that it is not actually per day. It is gallons per
7 minute flow, but I don't know if -- I have tried to
8 calculate them myself saying, okay, I am looking at
9 one day and I am looking at the amount treated, and
10 it doesn't match what is on the bill because it is
11 not really for a complete day. It is during that
12 time period where we have actually exceeded those
13 limits. So it could be in the middle of a day. It
14 could stretch multiple days. It could be a part of a
15 day. But it is not for a full day.

16 Q. Okay. And the Company was aware of these
17 maximum -- these maximums?

18 A. I believe when we acquired the Citizens'
19 area, that is included in the contract that we also
20 acquired.

21 Q. So it is part of the contract with the City
22 of Elmhurst. What has the Company -- what action has

1 the Company taken to address the problem of the sewer
2 flows exceeding the contract limit?

3 MR. REICHART: Objection. I believe this is --

4 A. I want to answer that. We have actually
5 done a couple of things.

6 Q. Does that mean you withdrew your objection?

7 MR. REICHART: I guess I have been overruled by
8 my witness.

9 A. We actually have been replacing some of our
10 sewer mains and we expect our flow numbers to
11 decrease. We have also have revised our grant and
12 loan tariff program. And part of the problem, we
13 believe, results from a set group of customers that
14 have perimeter drains that are draining into the
15 sewer system. And so we are revising our tariffs so
16 that we can give them grant money and I believe it is
17 interest free loans, in order for those customers to
18 remove those drains that go into our system. And we
19 believe that that will assist in reducing this
20 problem and hopefully eliminate it.

21 Q. Okay. So these excess flows are a result
22 of water coming into the sewer system that might not

1 be coming through the water system, is that right?

2 A. Could be. I mean, we see these when we
3 have high amounts of rain in a short period of time.

4 Q. Would you consider this inflow an
5 infiltration?

6 A. Again, I mentioned it is a combination of
7 two things. But I am really not an expert when it
8 comes to, you know, that kind of matter.

9 Q. Okay. Do you know what I mean when I say
10 inflow and infiltration?

11 A. In other words, ground water sweeping into
12 our drains, as opposed to water that comes into the
13 house and goes through drains, toilets, etc.

14 Q. Right. Now, October 1, 2009, the monthly
15 purchased sewer treatment fee increased to \$44.85.
16 This \$44.85 does not include the money that is
17 deferred as a result of this letter of March 12,
18 2009, asking to amortize?

19 A. That amortization still stays in place.
20 This is on top of that amortization.

21 Q. So 34.30 reflects the amortization of the
22 excess fees for 2008, right?

1 A. Yes.

2 Q. Then in 2009 you again incurred excess
3 charges so you had to add another \$10 on top of that
4 amortization for 2008, right?

5 A. We incurred those additional costs during
6 the first six months of 2009, I believe.

7 Q. Do you expect there to be any deferral as a
8 result of that, as a result of the 2009 increased
9 costs?

10 A. I believe that we requested a two-year
11 amortization of those costs as well.

12 Q. Of the 2009?

13 A. Yes.

14 Q. Does the 44.85 reflect an amortization of
15 some of those 2009 costs?

16 A. Yes.

17 Q. So to the extent that you continue to incur
18 these excess fees, this will ramp up this monthly
19 charge, won't it?

20 A. If our work that we, as I indicated
21 earlier, that we performed, we hope that that will
22 reduce these flows. We also hope that our grant and

1 loan program will also eliminate this problem.

2 Q. How far along is the project to replace the
3 mains?

4 A. I don't know what the whole, you know,
5 project goal was. But it is my understanding that
6 whatever we were planning on doing in the Country
7 Club area has been completed. That has been late
8 fall of 2009. So it's too early really to evaluate
9 the effect.

10 Q. And customers in that area pay
11 Illinois-American for collection, right, for sewer
12 collection?

13 A. I believe so.

14 MS. SATTER: Okay. I would like to move for
15 the admission of AG Cross Exhibits 2 and 3.

16 JUDGE TAPIA: Before I ask the parties if they
17 have an objection, let me go back to AG Cross Exhibit
18 Number 1. Mr. Knepler, you are so quiet that I
19 failed to ask if you have any objection to the
20 admission of AG Cross Exhibit 1.

21 MR. KNEPLER: No objection.

22 JUDGE TAPIA: Mr. Reichart, do you have an

1 objection to the admission of AG Cross Exhibit 2 and
2 3?

3 MR. REICHART: No objection.

4 JUDGE TAPIA: Mr. Knepler and Mr. Wilcox?

5 MR. WILCOX: No objection.

6 JUDGE TAPIA: Hearing no objection, AG Cross
7 Exhibit 2 and 3 is admitted into evidence.

8 (Whereupon AG Cross Exhibits 2
9 and 3 were admitted into
10 evidence.)

11 BY MS. SATTER:

12 Q. Now I would like to ask you some questions
13 about Exhibits A through D for the sewer treatment
14 charges.

15 MR. REICHART: May I ask you, how much time do
16 you think you have left?

17 MS. SATTER: Maybe 15 minutes.

18 MR. REICHART: Would you mind if we took a
19 quick break?

20 JUDGE TAPIA: Sure, absolutely. Five, ten
21 minutes?

22 MR. REICHART: Five minutes is fine.

1 JUDGE TAPIA; we will take a recess for five
2 minutes.

3 (Whereupon the hearing was in a
4 short recess.)

5 JUDGE TAPIA: Back on the record. Ms. Satter,
6 if you want to continue your cross examination?

7 MS. SATTER: Okay, thank you.

8 JUDGE TAPIA: The witness has been sworn.

9 BY MS. SATTER:

10 Q. I want to ask you a few questions about the
11 exhibits for the purchased sewer area and maybe we
12 can start with Country Club Service District, Exhibit
13 A. And my question, my first question, is under
14 Paragraph 1 it says rate per thousand gallons from
15 Exhibit B, 2.722. Is that the rate that the Company
16 pays to the supplier?

17 A. Yes, I indicated on Exhibit B it is from
18 the December 18, 2008, letter from the City of
19 Elmhurst.

20 Q. Okay.

21 A. So that was going to be the rate for 2009,
22 I believe.

1 Q. So that's the 2009 rate. Do you know what
2 the 2008 rate was?

3 A. I don't have all of my work papers from the
4 last case.

5 Q. Would that be on the schedules, the tariff
6 pages that we talked about previously?

7 A. I will take a look. I don't believe so.

8 Q. You don't believe so?

9 A. I don't see anywhere on here the 2.722.
10 The number is familiar to me as the rate that we were
11 paying for 2009.

12 Q. Okay. Now, but isn't this supposed to
13 reconcile 2008?

14 A. This has the charges for 2009 beginning
15 April 1. The reconciliation amount is reflected on
16 Exhibit D.

17 Q. And that will show the --

18 A. So Exhibit D shows our actual cost recovery
19 and shows the actual cost of sewage treatment at the
20 rates in effect. In other words, that information is
21 taken straight from the invoices from the City of
22 Elmhurst.

1 Q. For 2008?

2 A. Yes.

3 Q. So this is like accumulative numbers as
4 supposed to per unit number?

5 A. So Exhibit D really is the reconciliation.
6 Exhibit A calculates the rate going forward. That
7 includes the information from the reconciliation.

8 Q. Okay. So then if we go to Paragraph 3,
9 Total Cost per Thousand Gallons 3.210, that's the
10 charge that's -- that's the unit charge that is
11 incorporated into the monthly charge, is that right?

12 A. Yes.

13 Q. And that takes into account various over
14 collections and under collections over the year?

15 A. Prior year R components and O components,
16 yes.

17 Q. Just for the record, is there an easy way
18 to describe an R-Factor and an O-Factor for the
19 record?

20 A. An R-Factor would be a reconciliation
21 amount that would be calculated by the Company. So,
22 for example, on Exhibit D the utility determined

1 reconciliation component of \$67,237 would be an
2 R-Factor. And O-Factor would be a Commission-ordered
3 factor which may result from something that we
4 discussed earlier today in regards to Waycinden, a
5 number changed, and therefore I am recommending that
6 the Commission institute an O-Factor of approximately
7 \$1600.

8 Q. Okay. So the O-Factor is an adjustment as
9 well?

10 A. A Commission-ordered adjustment as opposed
11 to a Company-proposed adjustment, yes.

12 Q. So at the end of this case does your
13 R-Factor become an O-Factor if all goes according to
14 your plan?

15 A. No, it will still be -- I am sorry, are you
16 talking about the Waycinden one?

17 Q. No, for example in this --

18 A. This would be an R-Factor since it was
19 recommended by us. There were no adjustments
20 proposed by Staff. And if the Commission doesn't
21 make any additional adjustments, then it will be just
22 an R-Factor.

1 Q. Oh, so the O is in addition to the R?

2 A. That is correct.

3 Q. Thank you. So you have here as a result of
4 the various adjustments a unit cost of \$3.21 which is
5 higher than the unit charge from the supplier,
6 correct?

7 A. Because it reflects prior year under
8 recoveries, yes.

9 Q. Okay. Including things like the excess
10 from 2008?

11 A. For example, the Exhibit D amount of 67,237
12 amortized over three years which would be the
13 22,412.18.

14 Q. Now, in Paragraph 4, Average Monthly Water
15 Treatments for Residential Customer, does your
16 formula assume that each customer will use 10.68
17 thousand gallons of water, that the demand is equal
18 to 10.68 thousand gallons?

19 A. This is just a treated volume amount
20 divided by billing units. It has -- if you are
21 trying to say is that how much water usage a customer
22 uses, it's not based upon water usage. It is based

1 upon a four-year average, I believe, of volumes
2 treated.

3 Q. So the 10.68, is that the equivalent of
4 thousand gallons? Is that the unit of measure?

5 A. Yes.

6 Q. And so it's an average of the sewer volume,
7 correct? In other words, total sewer volume divided
8 by total number of customers?

9 A. After subtracting out your large
10 commercial, yes.

11 Q. Okay. And --

12 A. Because it also includes apartments which
13 are -- it is adjusted for that factor.

14 Q. So apartments pay slightly less?

15 A. Yes.

16 Q. They pay 85 percent of what a single family
17 home pays?

18 A. Correct.

19 Q. And for the Valley View area, looking at
20 their Exhibit A, Valley View, the volume that's
21 attributed to each customer is 11.68, correct?

22 A. That's the total treated volume less the

1 commercial amount divided by the billing units for
2 the base period.

3 Q. Now, you would agree with me that in the
4 Chicago metro area the average water demand is around
5 5,000 gallons?

6 A. Maybe a little higher. I think we may have
7 said -- it might have been 6,000.

8 Q. Five to six thousand, maybe? Do you
9 remember -- did you attend any of the public hearings
10 in connection with Docket 09-0319 in the Chicago
11 metro area?

12 A. Yes.

13 Q. Do you remember Kevin Hillams (sp) talking
14 about the average usage in the Chicago metro area?

15 A. I don't have his presentation with me, so I
16 couldn't tell you.

17 Q. But do you remember that he talked about
18 that?

19 A. I really don't remember the specifics,
20 other than listening to his testimony.

21 Q. As you know, there was a court reporter
22 there. Now, Country Club, that would be in -- is

1 that Wheaton or Homer Glen and Mt. Prospect, probably
2 Mt. Prospect, don't you think?

3 A. I don't know offhand.

4 Q. Okay. But your recollection is that the
5 average usage is between five and six thousand?

6 A. Probably somewhere in there.

7 Q. Average water consumption, we should say.

8 Okay. Now, does the Company track how
9 much of the waste water is produced by the Company in
10 maintaining its own facilities, how much of the waste
11 water volume?

12 A. I don't believe that we meter any waste
13 water.

14 Q. And you don't track it in any other way?

15 A. Not that I am aware of.

16 Q. Do you think that the difference between
17 the average water usage, the average metered water
18 usage, and the average sewer volume, do you think
19 that that's caused by water outside your system, you
20 know, the inflow and infiltration effect?

21 MR. REICHART: Again, I am going to object. I
22 don't know that this witness is the appropriate

1 witness to ask these types of operation engineering
2 type questions.

3 MS. SATTER: He's already talked about inflow
4 and infiltration.

5 MR. REICHART: Well, on a very limited level in
6 response to your somewhat leading questions, would
7 you agree?

8 MS. SATTER: Well, I am entitled to do leading
9 questions. This is cross examination.

10 MR. REICHART: But what I am saying is he did
11 not initiate that. It is not as if he discussed that
12 is in his testimony, Sue. Again, I don't have a
13 problem with him generally speaking to these things,
14 but again we are dealing with a rates accountant. I
15 don't think that it is appropriate, you know, in the
16 record to have him respond to something and then make
17 that -- you know, we treat that as the Company's
18 position from an operations perspective. I just
19 don't think that's right.

20 JUDGE TAPIA: Well, I can understand
21 Mr. Reichart's frustration, not knowing -- or
22 actually going beyond his testimony, but I will allow

1 the question and, Mr. Kerckhove, if you don't know,
2 you don't know. And if it is too general --

3 A. With regards to Valley View, I just don't
4 know.

5 Q. Okay. You don't know if inflow and
6 infiltration is causing the discrepancy between the
7 metered water usage and the sewer flows?

8 A. I don't know with regards to Valley View,
9 no.

10 Q. But for Country Club you believe it is?

11 A. That isn't what I said. I said that we
12 believe that there are a couple of items that are
13 contributing to it.

14 Q. Okay. Fair enough. Fair enough. Looking
15 at the Rollins Exhibit A, is it correct that for
16 Rollins the Company is attributing 13.46 thousand
17 gallons per customer as part of its purchased sewer
18 charge calculation?

19 A. That is the quantity that's being used to
20 calculate the monthly charge, yes.

21 Q. And the charge from the supplier in Rollins
22 is indicated on Exhibit A as \$1.06, is that right?

1 A. That's correct.

2 Q. And the charge to Illinois-American
3 customers per thousand gallons is \$1.28, correct?

4 A. Which reflects the items in, you call it,
5 Paragraph 3, yes.

6 Q. And for Valley View, the rate from the
7 supplier is \$1.3797 shown on Exhibit A of Valley View
8 Service District?

9 A. Yes.

10 Q. And the charge per thousand gallons to
11 Illinois-American customers is \$1.822, is that right?

12 A. Which reflects the reconciling items in
13 Paragraph 3, yes.

14 Q. Okay. Now, you include in your exhibits
15 the nine months, I believe it is April to December,
16 right?

17 A. Per the Commission's rules, yes.

18 Q. But then in your calculations you use the
19 12-month figures, the 12-month results?

20 A. No. The rates, for example, on Valley
21 View, the estimated treatment treated volume of
22 291,998 is actually an April through December, so it

1 is the nine months. Because we are calculating a
2 nine-month rate from April through December.
3 Likewise, the amortization amounts in Paragraph 3 are
4 also nine months.

5 Q. Okay. And that's on -- because everything
6 is frozen from January, February and March?

7 A. It's because of the Commission's rules, and
8 this is when we are filing the new tariffs per the
9 Commission's rules for the reconciliation.

10 Q. Do you know the reason behind that number?

11 A. No.

12 MS. SATTER: I think that's all I have, if I
13 can just have one minute.

14 (Pause.)

15 Yeah, yeah, I have nothing further.

16 Thank you.

17 JUDGE TAPIA: Mr. Knepler or Mr. Wilcox, any
18 cross examination for Mr. Kerckhove?

19 MR. WILCOX: Nothing here.

20 JUDGE TAPIA: Any redirect?

21 MR. REICHART: Can I just have a minute?

22 JUDGE TAPIA: Sure.

1 (Whereupon the hearing was in a
2 short recess.)

3 JUDGE TAPIA: We will go back on the record.
4 Let me ask you, Mr. Reichart, do you have any
5 redirect?

6 MR. REICHART: No, we don't.

7 JUDGE TAPIA: Thank you. Prior to going on the
8 record I discussed with the parties dates for briefs
9 and reply briefs. The parties agreed to actually
10 file their briefs on e-Docket on January 29, 2010.
11 Reply briefs will be due February 10, 2010.

12 Staff has asked us for motion for
13 leave to amend the direct testimony of Mr. Wilcox.
14 It is granted and it will be due on January 8 of
15 2010.

16 Mr. Reichart asked to admit Exhibits
17 IAWC 1.0 and attached exhibits. Ms. Satter, do you
18 have any objection to the admission of those
19 exhibits?

20 MS. SATTER: No.

21 JUDGE TAPIA: Mr. Knepler or Mr. Wilcox, do you
22 have any objection to the admission of those

1 exhibits?

2 MR. WILCOX: No.

3 JUDGE TAPIA: Then hearing no objection,,
4 Illinois-American Water Company 1.0 and attachments
5 or Exhibits A, B, C, C1 and D are admitted into
6 evidence.

7 (Whereupon IAWC Exhibit 1.0 with
8 Attachments A, B, C, C1 and D
9 were admitted into evidence.)

10 JUDGE TAPIA: Is there anything else that we
11 need to discuss before we go off the record?

12 MR. REICHART: Just for clarification, there
13 are actually 12 versions of A through D, one for each
14 district. So there is 12 sets of those attachments
15 to his testimony.

16 JUDGE TAPIA: Thank you for making that
17 clarification.

18 And should we continue this case
19 generally?

20 Okay. We will continue this case
21 generally. As soon as everything is done, I have
22 asked the parties, if they choose to, they can submit

1 a proposed order after the reply briefs. Then we
2 will continue this case generally. Thank you.

3 (Whereupon the hearing in this
4 matter was continued generally.)

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